CASE 26

W. L. Gore & Associates: Developing Global Teams to Meet 21st-Century Challenges[1]

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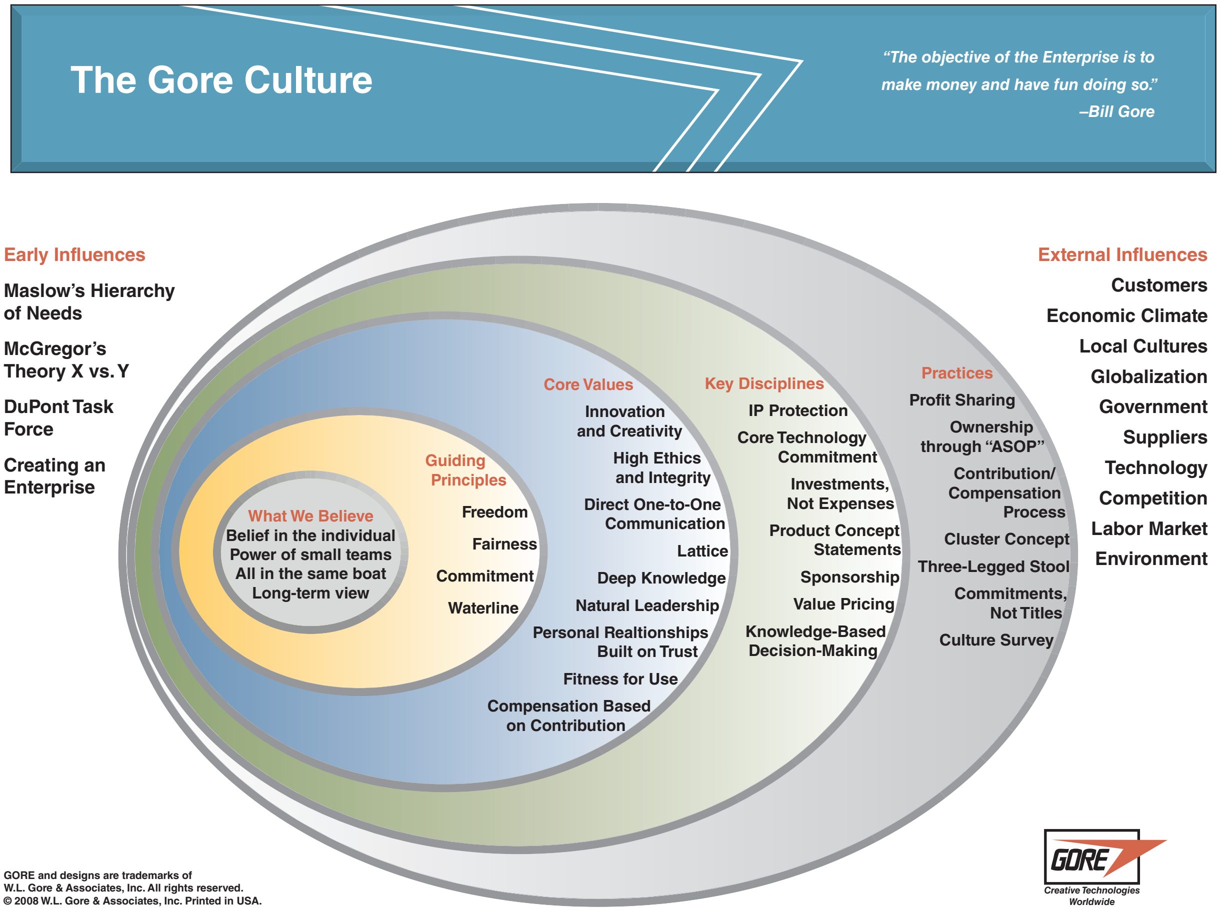
In 2010, W. L. Gore & Associates celebrated its 52nd year in business. Founded in 1958 by Bill and Vieve Gore in the basement of their home, Gore had grown into a global enterprise famous for its high performance fabrics, medical products, and next-generation electronic products, as well as its use of self-empowered teams of employees (called associates at Gore). In its earlier years, the company had endeavored to restrict the size of its different corporate facilities to 200 associates or fewer, a practice that helped keep the number of teams at a given facility to a manageable number and facilitated cross-team coordination. More recently, however, to better cope with the challenges of a global marketplace, increasing numbers of teams were composed of associates in different facilities, sometimes facilities that were spread across three continents; the coordination of team members working in different facilities was enabled by online communication.

In 2010, Gore's products were sold on six continents and used on all seven continents, as well as under the ocean and in space. The company global operations required teams of associates to tightly coordinate their activities in developing, producing, and marketing products to customers across the world. Currently teams were organized primarily along product lines, with only a few teams consisting of members working in the same Gore facility. As a consequence, it was common for team members to be separated by thousands of miles, work in multiple time zones, speak different languages, and live in quite different cultures. The diversity among team members, combined with the company's emphasis on growth and globalized operations, presented significant challenges for W. L. Gore as it strove to maintain a family-like, entrepreneurial culture. According to Terri Kelly, the president of Gore and a 25-year associate:[2]

> In the early days, our business was largely conducted at the local level. There were global operations, but most relationships were built regionally, and most decisions were made regionally. That picture has evolved dramatically over the last 20 years, as businesses can no longer be defined by brick and mortar. Today, most of our teams are spread across regions and continents. Therefore, the decision-making process is much more global and virtual in nature, and there's a growing need to build strong relationships across geographical boundaries. The globalization of our business has been one of the biggest changes I've seen in the last 25 years.

Elements of the culture at Gore are captured in Exhibit 1. The core belief in the need to take the long-term view in business situations, and to make and keep commitments, drove cooperation among individuals and small teams. This was supported by key practices that replaced traditional, hierarchical structure with flexible relationships and a sense that all workers were in the same boat.

Exhibit 1 W. L. Gore & Associates' Culture



The ultimate focus was on empowering talented associates to deliver highly innovative products.

Despite substantial growth, the core values had not changed at Gore. The objective of the company set forth by the founder Wilbert L. (Bill) Gore, "To make money and have fun," was still part of the Gore culture. Associates around the world were asked to follow the company's four guiding principles:

1. Try to be fair.
2. Encourage, help, and allow other associates to grow in knowledge, skill, and scope of activity and responsibility.
3. Make your own commitments, and keep them.
4. Consult with other associates before taking actions that may be "below the waterline."

The four principles were referred to as *fairness, freedom, commitment,* and *waterline.* The waterline principle was drawn from an analogy to ships. If someone poked a hole in a boat above the waterline, the boat would be in relatively little real danger. If, however, someone poked a hole below the waterline, the boat would be in immediate danger of sinking. The expectation was that "waterline" issues would be discussed across teams, plants, and continents as appropriate before any decisions about them were made. Gore still emphasized this principle even though team members who needed to share in the decision-making process were now spread across the globe.

Commitment was spoken of frequently at Gore. The commitment principle's primary emphasis was on the freedom associates had to make their own commitments, rather than having others assign them to projects or tasks. But commitment could also be viewed as a mutual commitment between associates and the enterprise. Associates worldwide committed to making contributions to the company's success. In return, the company was committed to providing a challenging, opportunity-rich work environment that was responsive to associate needs and concerns.

BACKGROUND

Gore was formed by Wilbert L. (Bill) Gore and his wife, Genevieve (Vieve) Gore, in 1958. The idea for the business sprang from Bill Gore's personal, technical, and organizational experiences at E. I. du Pont de Nemours & Co. and, particularly, his involvement in the characterization of a chemical compound with unique properties. The compound, called polytetrafluorethylene (PTFE), had come to be marketed by DuPont under the Teflon brand name. Gore saw a wide variety of potential applications for this unique new material, and when DuPont showed little interest in pursuing most of them directly, he decided to form his own company and start pursuing the concepts himself. Thus, Gore became one of DuPont's first customers for this new material.

Since then, W. L. Gore & Associates had evolved into a global enterprise, with annual revenues of more than $2.5 billion, supported by more than 8,500 associates worldwide. This placed Gore at number 180 on *Forbes* magazine's 2008 list of the 500 largest private companies in the United States. The enterprise's unique, and now famous, culture and leadership practices had helped make Gore one of only a select few companies to appear on all of the U.S. "100 Best Companies to Work For" rankings since they were introduced in 1984.

Bill Gore was born in Meridian, Idaho, in 1912. By age six, according to his own account, he was an avid hiker in Utah. Later, at a church camp in 1935, he met Genevieve Walton, his future wife. In their eyes, the marriage was a partnership. He would make breakfast and Vieve, as everyone called her, would make lunch. The partnership lasted a lifetime.

Bill Gore attended the University of Utah; he earned a bachelor of science in chemical engineering in 1933 and a master of science in physical chemistry in 1935. He began his professional career at American Smelting and Refining in 1936; moved to Remington Arms, a DuPont subsidiary, in 1941; and then moved to DuPont's headquarters in 1945. He held positions as research supervisor and head of operations research. While at DuPont, he felt a sense of excited commitment, personal fulfillment, and self-direction while working with a task force to develop applications for PTFE.

Having followed the development of the electronics industry, he felt that PTFE had ideal insulating characteristics for use with such equipment. He tried many ways to make a PTFE-coated ribbon cable, but with no success until a breakthrough in his home basement laboratory. One night, while Bill was explaining the problem to his 19-year-old son, Bob, the young Gore saw some PTFE sealant tape and asked his father, "Why don't you try this tape?" Bill explained that everyone knew that you could not bond PTFE to itself. After Bob went to bed, however, Bill remained in the basement lab and proceeded to try what conventional wisdom said could not be done. At about 5:00 a.m., Bill woke up Bob, waving a small piece of cable around and saying excitedly, "It works, it works." The following night father and son returned to the basement lab to make ribbon cable insulated with PTFE. Because the idea came from Bob, the patent for the cable was issued in his name.

After a while, Bill Gore came to realize that DuPont wanted to remain a supplier of raw materials for industrial buyers and not a manufacturer of high-tech products for end-use markets. Bill and Vieve began discussing the possibility of starting their own insulated wire and cable business. On January 1, 1958, their wedding anniversary, they founded W. L. Gore. The basement of their home served as their first facility. After finishing breakfast, Vieve turned to her husband of 23 years and said, "Well, let's clear up the dishes, go downstairs, and get to work."

When Bill Gore (a 45-year-old with five children to support) left DuPont, he put aside a career of 17 years and a good, secure salary. To finance the first two years of their new business, he and Vieve mortgaged their house and took $4,000 from savings. All their friends cautioned them against taking on such a big financial risk.

The first few years were challenging. Some of the young company's associates accepted stock in the company in lieu of salary. Family members who came to help with the business lived in the home as well. At one point, 11 associates were living and working under one roof. One afternoon, while sifting PTFE powder, Vieve received a call from the City of Denver's water department. The caller wanted to ask some technical questions about the ribbon cable and asked for the product manager. Vieve explained that he was not in at the moment. (Bill and two other key associates were out of town.) The caller asked next for the sales manager and then for the president. Vieve explained that "they" were also not in. The caller finally shouted, "What kind of company is this anyway?" With a little diplomacy the Gores were eventually able to secure an order from Denver's water department for around $100,000. This order put the company over the start-up hump and onto a profitable footing. Sales began to take off.

During the decades that followed, W. L. Gore developed a number of new products derived from PTFE, the best known of which was GORE-TEX fabric. The development of GORE-TEX fabric, one of hundreds of new products that followed a key discovery by Bob Gore, was an example of the power of innovation. In 1969, Gore's Wire and Cable Division was facing increased competition. Bill Gore began to look for a way to expand PTFE: "I figured out that if we could ever unfold those molecules, get them to stretch out straight, we'd have a tremendous new kind of material." The new PTFE material would have more volume per pound of raw material with no adverse effect on performance. Thus, fabricating costs would be reduced and profit margins increased. Bob Gore took on the project; he heated rods of PTFE to various temperatures and then slowly stretched them. Regardless of the temperature or how carefully he stretched them, the rods broke. Working alone late one night after countless failures, Bob in frustration stretched one of the rods violently. To his surprise, it did not break. He tried it again and again with the same results. The next morning, Bill Gore recalled, "Bob wanted to surprise me so he took a rod and stretched it slowly. Naturally, it broke. Then he pretended to get mad. He grabbed another rod and said, 'Oh, the hell with this,' and gave it a pull. It didn't break—he'd done it." The new arrangement of molecules not only changed the Wire and Cable Division but also led to the development of GORE-TEX fabric and many other products.

In 1986, Bill Gore died while backpacking in the Wind River Mountains of Wyoming. Vieve Gore continued to be involved actively in the company and served on the board of directors until her death at 91 in 2005.

W. L. Gore had only four presidents in its 50-year history. Bill Gore served as the president from the enterprise's founding in 1958 until 1976. At that point, his son Bob became president and CEO. Bob had been an active member of the firm from the time of its founding, most recently as chairman of the board of directors. He served as president until 2000, when Chuck Carroll was selected as the third president. In 2005, Terri Kelly succeeded Carroll. As with all the presidents after Bill Gore, Kelly was a longtime employee: she had been with Gore for 22 years before becoming president.

The Gore family established a unique culture that continued to be an inspiration for associates. For example, Dave Gioconda, a current product specialist, recounted meeting Bob Gore for the first time—an experience that reinforced the company's egalitarian culture:

> Two weeks after I joined Gore, I traveled to Phoenix for training. . . . I told the guy next to me on the plane where I worked, and he said, "I work for Gore, too." "No kidding?" I asked. "Where do you work?" He said, "Oh, I work over at the Cherry Hill plant." . . .
>
> I spent two and a half hours on this plane having a conversation with this gentleman who described himself as a technologist and shared some of his experiences. As I got out of the plane, I shook his hand and said, "I'm Dave Gioconda, nice to meet you." He replied, "Oh, I'm Bob Gore." That experience has had a profound influence on the decisions that I make.

Due to the leadership of Bill, Vieve, Bob, and many others, W. L. Gore was selected as one of the "100 Best Companies to Work For" in 2009 by *Fortune* magazine for the 12th consecutive year. In addition, the company was included in all three *100 Best Companies to Work For in America* books (1984, 1985 and 1993). It was one of only a select few companies to appear on all 15 lists. Gore had been selected also as one of the best companies to work for in France, Germany, Italy, Spain, Sweden, and the United Kingdom.

In 2009 Gore had annual revenues of about $2.5 billion and approximately 9,000 employees located in 30 countries worldwide.[3] It was one of the 200 largest privately held U.S. companies; the company's common stock was owned by members of the Gore family and by associates. Because of its privately held status, Gore did not make its financial results public. It did share, however, financial results with all associates on a monthly basis. Gore executives believed that private ownership reinforced its strongly-ingrained cultural emphasis on "taking a long term view" when assessing business situations and making decisions.

COMPETITIVE STRATEGY AT W. L. GORE

For product management, Gore was divided into four divisions: Electronics, Fabrics, Industrial, and Medical. The Electronic Products Division (EPD) developed and manufactured high-performance cables and assemblies as well as specialty materials for electronic devices. The Fabrics Division (FD) developed and provided fabric to the outdoor clothing industry as well as the military, law enforcement, and fire protection industries. Gore fabrics marketed under the GORE-TEX, WINDSTOPPER, CROSSTECH, and GORE CHEMPAK brands provided the wearer protection while remaining comfortable. The Industrial Products Division (IPD) made filtration, sealant, and other products. These products met diverse contamination and process challenges in many industries. The Medical Products Division (MPD) provided products such as synthetic vascular grafts, interventional devices, endovascular stent-grafts, surgical patches for hernia repair, and sutures for use in vascular, cardiac, general surgery and oral procedures. Although they were recognized as separate divisions, the EPD, FD, IPD, and MPD frequently worked together.

Since it had four divisions that served different industries, Gore could be viewed as a diversified conglomerate. Bob Winterling, a financial associate, described how the four divisions worked together financially as follows:

> The thing I love about Gore is that we have four very diverse divisions. During my time here, I've noticed that when one or two divisions are down, you always have one, two or three that are up. I call them cylinders. Sometimes all four cylinders are working really well; not all the time though. Normally it's two or three, but that's the luxury that we have. When one is down—it's good to know that another is up.

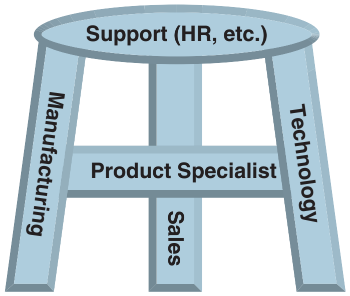
At the end of 2007, all four divisions were performing well. Having four diversified divisions not only protected against swings in any one industry, but it also provided multiple investment opportunities. Entering 2008, Gore was investing in a large number of areas, with the heaviest area of investment in the Medical Products Division. This was a conscious choice, as these opportunities were judged to be the largest intersection between Gore's unique capabilities and some very large, attractive market needs. As Brad Jones, an enterprise leader, said, "All opportunities aren't created equal, and there's an awful lot of opportunity that's screaming for resources in the medical environment." At the same time, the leadership at Gore scrutinized large investments so that those in what Brad Jones referred to as "big burn" projects were not made unless there was a reasonable expectation of a payoff.

Developing Quality Products by Creating and Protecting Core Technology

The competitive objective of Gore was to use core technology derived from PTFE and ePTFE to create highly differentiated and unique products. In every product line, the goal was not to produce the lowest-cost goods but rather to create the highest-quality goods that met and exceeded the needs of customers. Of course, Gore worked hard to maintain competitive pricing, but the source of competitive advantage was clearly quality and differentiation. Gore was a company built on technological innovations.

Leaders at Gore often referred to a three-legged stool to explain how they integrated operations. As shown in Exhibit 2, the three legs of the stool were technology, manufacturing, and sales. For each product, the legs of the stool were tied together by a product specialist. For instance, a product specialist might coordinate efforts to

Exhibit 2 Coordinating Technology, Manufacturing, and Sales at Gore



design, make, and sell a vascular graft. Another product specialist would coordinate efforts related to the creation and marketing of fabric for use in winter parkas. Support functions such as human resources, IT, and finance also helped tie together various aspects of technology, manufacturing, and sales.

Gore's Fabrics Division practiced cooperative marketing with the users of its fabrics. In most cases, Gore did not make the finished goods from its fabrics; rather, it supplied the fabrics to manufacturers such as North Face, Marmot, L. L. Bean, Salomon, Adidas, and Puma. On each garment was a tag indicating that it was made using GORE-TEX fabric. According to a former president of Cotton Inc., Gore was a leader in secondary branding. For example, a salesman in a golf pro shop related how he initially tried to explain that he had GORE-TEX fabric rain suits made by various manufacturers. After realizing that his customers did not care who manufactured a given suit, only that it was made from GORE-TEX fabric, he gave up and just directed customers to GORE-TEX fabric rain suits.

Because of its commitment to producing superior goods, Gore emphasized product integrity. For example, only certified and licensed manufacturers were supplied with Gore's fabrics. Gore maintained "rain-rooms" in which to test new garment designs. Shoes with GORE-TEX fabric in them were flexed in water approximately 300,000 times to ensure that they were waterproof.

After all the preventive measures, Gore stood behind its products regardless of who the manufacturer was and even if the defect was cosmetic. Susan Bartley, a Gore manufacturing associate, recounted a recent recall:

> A cosmetic flaw, not a fitness-for-use flaw, was found in finished garments, so we bought back the garments from the manufacturer, because we didn't want those garments out on the market.

Such recalls due to either cosmetic or fitness for use flaws happened infrequently. One associate estimated that the last one happened 10 years before the most recent one. Gore was, however, committed to quality of its products and stood behind them.

Gore's Fabrics Division sales and marketing associates believed that positive buyer experiences with one GORE-TEX product (for instance, a ski parka) carried over to purchases of other GORE-TEX products (gloves, pants, rain suits, boots, and jackets). Also, they believed that positive experiences with their products would be shared among customers and potential customers, leading to more sales.

The sharing and enhancing of knowledge were seen as key to the development of current and future products. Great emphasis was placed on sharing knowledge. According to Terri Kelly,

> There's a real willingness and openness to share knowledge. That's something I experienced 25 years ago, and it's not changed today. This is a healthy thing. We want to make sure folks understand the need to connect more dots in the lattice.

Gore associates made a conscious effort to share technical knowledge. For example, a core leadership team consisting of eight technical associates got together every other month, reviewed one another's plans, and looked for connections among the upcoming products. According to Jack Kramer, an enterprise leader, "We put a lot of effort into trying to make sure that we connect informally and formally across a lot of boundaries." One way associates connected formally to share knowledge was through monthly technical meetings. At the monthly meetings, scientists and engineers from different divisions presented information to other associates and colleagues. Attended regularly by most technical associates in the area, these presentations were often described as "passionate" and "exciting."

Even though Gore shared knowledge within the organization, much of its highly technical know-how had to be protected for competitive reasons. In a global environment, protection of specialized knowledge was a challenge. Some of the technology was protected by patents. In fact, some of the products were protected by an umbrella of patents. Normally, under U.S. law, patents expired 20 years from the earliest claimed filing date. Thus, the original patents had expired on GORE-TEX fabric and some other Gore products. Globally, patent procedures, protection, and enforcement varied. Both products and processes were patentable. To protect its knowledge base, Gore had sought and been granted more than 2,000 patents worldwide in all areas in which it competed, including electronics, medical devices, and polymer processing. However, patents could sometimes be difficult or expensive to enforce, especially globally. Therefore, many companies protected some of their technology internally. Such knowledge was commonly referred to as proprietary.

Within Gore, proprietary knowledge was shared on a need-to-know basis. Associates were encouraged to closely guard such information. This principle could lead to some awkward moments. Terri Kelly was visiting Shenzhen, China, and was curious about a new laminate that was being commercialized. The development engineer leader kept dodging her questions. Finally, the engineer smiled and said, "Now, Terri, do you have a need to know?" Kelly laughed and said, "You're right. I'm just being nosy."

When Kelly retold the incident, she added, "He played back exactly what he was supposed to, which is: don't share with someone, even if it's a CEO, something that they have no need to know." Kelly continued, "And everyone's—I could see the look in their eyes—thinking, 'Is he going to get fired?' He had taken a great personal risk, certainly for that local culture. We laughed, and we joked and for the next week, it became the running joke." Through stories like this the culture was shared with others in Gore.

Gore's sharing and enhancing of its technology brought recognition from many sources. From the United Kingdom, Gore received the Pollution Abatement Technology Award in 1989 and the Prince Philip Award for Polymers in the Service of Mankind in 1985. In addition, Gore received or shared in receiving the prestigious Plunkett Award from DuPont—for innovative uses of DuPont fluoropolymers—nine times between 1988 and 2006. Bill and Vieve Gore, as well as Bob Gore, received numerous honors for both their business and technical leadership.

Continuing Globalization and Deliberate Growth

From the time W. L. Gore was founded, it recognized the need for globalization. Gore established its first international venture in 1964, only six years after its founding. By 2010, it had facilities in 30 countries and manufacturing facilities in the United States, Germany, Scotland, Japan, and China (see Exhibit 3). One example of Gore's global reach was the fact that it was the dominant supplier of artificial vascular grafts to the global medical community. Gore's Fabrics Division also generated most of its sales outside the United States.

In addition to globalization, Gore had a strategy of continued growth. Growth was expected to come from two sources. One source was Gore associates' innovation. The Gore culture was designed to foster such innovation and allow ideas to be energetically pursued, developed, and evaluated. These ideas were expected to lead to new products and processes. Within Gore, this form of growth was referred to as organic. Gore encouraged both new products and extensions of existing products. To encourage innovation, all associates were allowed to ask for and receive raw material to try out their ideas. Through this process multiple products had come from unexpected areas. For example, the idea for dental floss came from the Industrial Products Division, not the Medical Products Division. Two associates who were fabricating space suits took to flossing their teeth with scraps. Thus, Gore's highly successful GLIDE dental floss was born. GORE RIDE ON bike cables came from a couple of passionate mountain bikers in the MPD. ELIXIR guitar strings also came from the MPD, specifically from an associate who was also a musician. Due to Gore's track record of developing innovative products, *Fast Company* magazine called it "pound for pound, the most innovative company in America."

A second but much less significant source of growth was external acquisitions. Gore evaluated opportunities to acquire technologies and even companies based on whether a given technology or company offered a unique capability that could

Exhibit 3 Locations of Gore's Global Facilities

W. L. Gore & Associates – Worldwide Locations

complement an existing, successful business. The leadership at Gore considered this strategy a way to stack the probability deck in its favor by moving into market spaces its associates already knew very well. To facilitate this growth strategy, Gore had a few associates who evaluated acquisition opportunities at the enterprise level. They did this not in isolation, but in concert with leaders within each division.

By a multibillion-dollar corporate standard, the acquisitions made by Gore were small. To date, the largest company acquired by Gore employed approximately 100 people. Another attribute of these acquisitions was that no stock swap occurred. Since Gore was a privately held company, stock swaps were not an option; acquisitions were made with cash.

A clear issue to any acquisition that Gore considered was cultural compatibility. Gore considered the leadership style in a target company. According to Brad Jones, "If you're acquiring a couple patents and maybe an inventor, that's not a big issue, although if he's a prima donna inventor, it will be an issue." When acquiring a company, Gore closely examined the culture that made the company successful. Integrating the acquired company's culture with Gore's and making sure that Gore's culture would add value to the acquired company were just two of many cultural considerations. Gore wanted to be able to expand when necessary by buying complementary organizations and their associated technologies, but not at the expense of its culture of 50 years.

Occasionally, Gore had to divest itself of a product. One example was GLIDE dental floss. The product, developed by Gore, was well received by consumers due to its smooth texture, shred resistance, and ability to slide easily between teeth. To meet demand when the product took off, leaders were processing credit cards; human resource people and accountants were out on the manufacturing floor packaging GLIDE floss, and everybody else in the facility pitched in to make sure that the product got out the door. One associate observed that by rolling up their sleeves and pitching in, leaders built credibility with other associates.

Not long after its introduction, mint-flavored GLIDE floss became the biggest selling dental floss in the United States. That attracted the attention of the traditional dental floss manufacturers. Eventually, Procter & Gamble (P&G) and Gore reached an agreement whereby P&G bought the rights to market GLIDE floss, while Gore continued to manufacture it.

Gore made this agreement with the understanding that none of its associates would be laid off. The announcement of the agreement was made to all the GLIDE floss team members on a Thursday. It did come as a shock to some. By Monday, however, the same team was working on a transition plan. Associates who were not needed in the manufacturing or selling of GLIDE floss were absorbed into other fast-growing Gore businesses. In addition, everybody in the enterprise received a share of the profit from the P&G purchase.

LEADERSHIP AT GORE

Competitive strategy at Gore was supported by a unique approach to leadership. Many people stepped forward to take on a variety of leadership roles, but those roles were not part of a hierarchical structure and traditional authority was not vested in them. Leadership at Gore was a dynamic and fluid process in which leaders were defined by "followership." Future leaders emerged because they gained credibility with other associates. Gore referred to this process as "Natural Leadership." Associates gained credibility by demonstrating special knowledge, skill, or experience that advanced a business objective; by achieving a series of successes; and by involving others in significant decisions.

Associates stepped forward to lead when they had the expertise to do so. Within Gore this practice was referred to as "knowledge-based decision making." According to Terri Kelly, decisions were "made by the most knowledgeable person, not [necessarily] the person in charge." This form of decision making flowed naturally from the four guiding principles established by Bill Gore.

Leadership responsibilities could take many forms at Gore. In an internal memo, Bill Gore once described the following kinds of leaders and their roles:

1. *The Associate who is recognized by a team as having a special knowledge, or experience* (for example, this could be a chemist, computer expert, machine operator, salesman, engineer, lawyer). This kind of leader gives the team *guidance in a special area.*
2. *The Associate the team looks to for coordination of individual activities in order to achieve the agreed on objectives of the team.* The role of this leader is to persuade team members to *make the commitments* necessary for success (commitment seeker).
3. *The Associate who proposes necessary objectives and activities and seeks agreement and team consensus on objectives.* This leader is perceived by the team membership as having a good grasp of how the objectives of the team fit in with the broader objectives of the enterprise. This kind of leader is often also a "commitment seeking" leader.
4. *The leader who evaluates the relative contribution of team members (in consultation with other sponsors) and reports these contribution evaluations to a compensation committee.* This leader may also participate in the compensation committee on relative contribution and pay and *reports changes in compensation* to individual Associates. This leader is then also a compensation sponsor.
5. *The leader who coordinates the research, manufacturing, and marketing of one product type within a business, interacting with team leaders and individual Associates who have commitments to the product type.* These leaders are usually called *product specialists.* They are respected for their knowledge and dedication to their products.
6. *Plant leaders* who help coordinate activities of people within a plant.
7. *Business leaders* who help coordinate activities of people in a business.
8. *Functional leaders* who help coordinate activities of people in a "functional" area.
9. *Corporate leaders* who help coordinate activities of people in different businesses and functions and who try to promote communication and cooperation among all Associates.
10. *Intrapreneuring Associates who organize new teams* for new businesses, new products, new processes, new devices, new marketing efforts, or new or better methods of all kinds. These leaders invite other Associates to "sign up" for their project.

Developing a Unique and Flexible Leadership Structure

W. L. Gore had possibly the world's shortest organizational pyramid for a company of its size. Gore was a company largely without titles, hierarchical organization charts, or any other conventional structural arrangement typically employed by enterprises with billions of dollars in sales revenues and thousands of employees.

There were few positions at Gore with formal titles presented to the public. Due to laws of incorporation, the company had a president, Terri Kelly, who also functioned as CEO. Kelly was one of four members of the cross-functional Enterprise Leadership Team, which was responsible for the overall health and growth of the company.

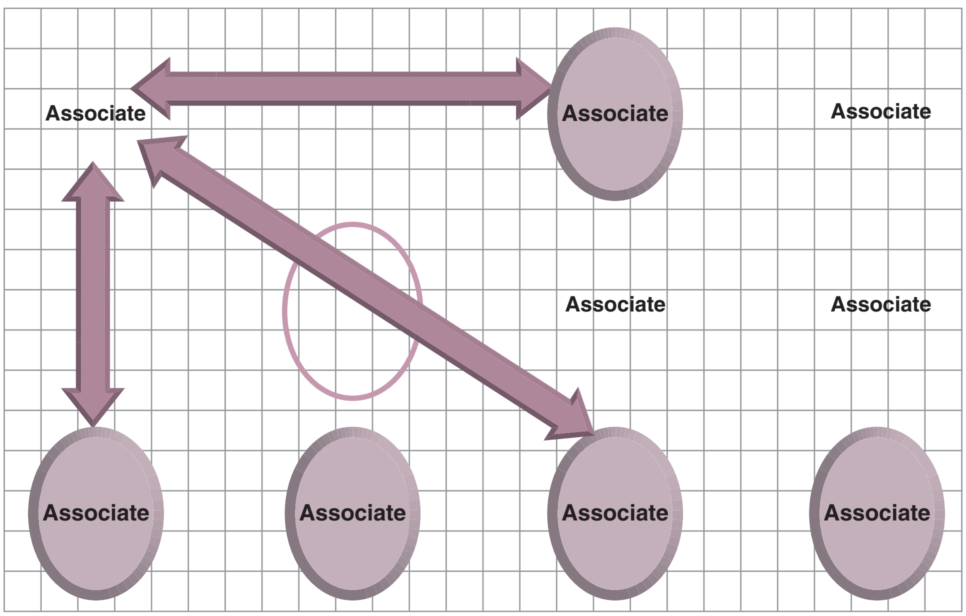
The real key to the egalitarian culture of Gore was the use of a unique lattice rather than a hierarchical structure (see Exhibit 4). The features of Gore's lattice structure included the following:

1. Direct lines of communication—person to person—with no intermediary.
2. No fixed or assigned authority.
3. Sponsors, not bosses.
4. Natural leadership as evidenced by the willingness of others to follow.
5. Objectives set by those who must "make them happen."
6. Tasks and functions organized through commitments.

The lattice structure, as described by the people at Gore, was complex and depended on interpersonal interactions, self-commitment to group-known responsibilities, natural leadership, and group-imposed discipline. Bill Gore once said, "Every successful organization has an underground lattice. It's where the news spreads like lightning, where people can go around the organization to get things done."

One potential disadvantage of such a lattice structure could be a lack of quick response times and decisive action. Gore associates said adamantly that this was not the case, and they distinguished between two types of decisions. First, for time-critical decisions, they maintained that the lattice structure was faster in response than traditional structures because interaction was not hampered by bureaucracy. The leader who had responsibility assembled a knowledge-based team to examine and resolve the issue.

Exhibit 4 Gore's Lattice Structure



The team members could be recruited by the leader from any area of the company if their expertise was needed. Once the issue was resolved, the team ceased to exist and its members returned to their respective areas. Associate Bob Winterling asserted, "We have no trouble making crisis decisions, and we do it very swiftly and very quickly."

The other response was for critical issues that would have a significant impact on the enterprise's long-term operations. Associates admitted that such decisions could sometimes take a little longer than they would like. Chrissy Lyness, another financial associate, stated:

> We get the buy-in up front instead of creating and implementing the solution and putting something out there that doesn't work for everybody. That can be frustrating to new associates, because they're used to a few people putting their heads together, saying, "This is what we're going to do. This is a solution." That's not the way it works at Gore.
>
> Here, you spend a lot of time at the beginning of the decision-making process gaining feedback, so that when you come out of that process, you have something that's going to work, and the implementation is actually pretty easy.

The associates at Gore believed that time spent in the beginning, tapping into the best ideas and gaining consensus, paid off in the implementation. They further believed that authoritarian decision-making could save time initially but that the quality of the decision would not be as good as one made by consensus. In addition, they believed that authoritarian decisions would take longer to implement than those made by consensus.

Gore's egalitarian culture was supported also informally. For example, all associates were referred to and addressed by their first names. This was as true for the president as for any other associate.

Gore's leaders believed that the company's unique organization structure and culture were significant contributors to associate satisfaction and retention. *Fortune* magazine reported an employee turnover rate of 5 percent for Gore. In addition, it reported 19,108 applicants for 276 new jobs in 2008. In other words, it was harder to get a job at Gore than to get accepted at an elite university.

GLOBAL HUMAN RESOURCE PRACTICES

Globally, Gore's competitive strategy of using cutting-edge technology, empowered teams, and collaborative leadership to create high-quality goods was supported by a number of innovative human resources (HR) practices. Many HR initiatives were designed to support the concept that all associates were stakeholders in the enterprise and had a shared responsibility for its success. Parking lots had no reserved parking spaces for leaders. Dining areas—only one in each plant—were set up as focal points for associate interaction. As an associate in Arizona explained, "The design is no accident. The lunchroom in Flagstaff has a fireplace in the middle. We want people to like to be here." The location of a plant was also no accident. Sites were selected on the basis of transportation access, nearby universities, beautiful surroundings, and climate appeal. To preserve the natural beauty of the site on which a production facility was built in 1982, Vieve Gore insisted that the large trees be preserved, much to the dismay of the construction crews. The Arizona associate explained the company's emphasis on selecting attractive plant sites, stating, "Expanding is not costly in the long run. Losses are what you make happen by stymieing people and putting them into a box."

Getting the Right People on Board

Gore received numerous applicants for every position. Applicants were first screened by personnel specialists. Each candidate who passed the initial screening was interviewed by a group of associates from the team in which the person would work. Finally, personnel specialists contacted multiple references before issuing a job offer. Recruitment was described by Donna Frey, leader of Gore's global human resources function and one of four members of the Enterprise Leadership Team (ELT), as a two-way process. She explained:

> Our recruiting process is very much about us getting to know the applicants and them getting to know us. We are very open and honest about who we are, the kind of organization we have, the kind

> of commitments we want and whether or not we think that the applicant's values are aligned with ours. Applicants talk to a number of people that they'll be working directly with if hired. We work very hard in the recruiting process to really build a relationship, get to know people and make sure that we're bringing people in who are going to fit this enterprise.

Whenever someone was hired at Gore, an experienced associate made a commitment to be the applicant's sponsor. The sponsor's role was to take a personal interest in the new associate's contributions, interests, and goals, acting as both a coach and an advocate. The sponsor tracked the new associate's progress, offered help and encouragement, pointed out weaknesses and suggested ways to correct them, and concentrated on how the associate could better make use of his or her strengths. Sponsoring was not a short-term commitment. New hires were likely to have a sponsor in their immediate work area. As associates changed or grew in their commitments, they normally changed sponsors or, in some cases, added a second sponsor. For instance, an associate who moved to a new job in another area of the company could gain a sponsor there and then decide whether to keep his or her former sponsor. Because sponsorship was built on the personal relationship between two people, the relationship most often continued even if the official sponsorship role did not.

New associates were expected to focus on building relationships during the first three to six months of their careers. Donna Frey described the first months for a new associate at Gore as follows:

> When new associates join the enterprise, they participate in an orientation program. Then, each new associate works with a starting sponsor to get acclimated and begin building relationships within Gore. The starting sponsor provides the new hire with a list of key associates he/she should meet with during the next few months.
>
> We encourage the new hire to meet with these associates one-on-one. It's not a phone conversation, but a chance to sit down with them face-to-face and get to know them.
>
> This process helps demonstrate the importance of relationships. When you're hiring really good people, they want to have quick wins and make contributions, and building relationships without a clear goal can be difficult. Often, new associates will say, "I don't feel like I'm contributing. I've spent three months just getting to know people." However, after a year they begin to realize how important this process was.

To ensure that new associates were not overwhelmed by what was probably their first experience in a nonhierarchical organization, Gore developed a two-day orientation program it called Building on the Best. New associates were brought together with other new associates after two or three months to participate in the program, which addressed who Bill Gore was, what his key concepts were, and how the enterprise worked. The program included group activities and interactive presentations given by leaders and other longtime associates.

Helping Associates Build and Maintain Relationships

W. L. Gore recognized the need to strike up initial relationships, continuously develop new ones, and cement ongoing ones. One way this was fostered was through the company's digital voice exchange, called Gorecom. According to Terri Kelly, "Gorecom is the preferred media if you want a quick response." The company wanted to foster an oral culture because it encouraged direct communication.

To further foster the oral culture, team members and leaders were expected to meet face-to-face regularly. For team members and especially leaders, this could mean lots of travel. As one technical associate joked, "Probably, in the last 12 years, I spent 3 years traveling internationally, a couple weeks at a time."

Another way that Gore facilitated the development of teams and individuals was through training. An associate in Newark noted that Gore "works with associates who want to develop themselves and their talents." Associates were offered a variety of in-house training opportunities, not only in technical and engineering areas but also in leadership development. In addition, the company had established cooperative education programs with universities and other outside providers.

In many ways, Gore could feel like an extended family for its associates and the communities in which they lived. Based on their own interests and initiatives, associates gave back to their communities through schools, sports clubs, universities, and other local organizations. Recently, Gore had encouraged its U.S. associates' community outreach activities by providing up to eight hours of paid time off for such efforts. Through this program, associates worked nearly 7,800 hours at nonprofit organizations in a recent fiscal year. In reality, Gore associates volunteered much more of their personal time than eight hours. The associates individually or in teams decided how and where to commit their volunteer time.

Rewarding Associates for Contributions

Compensation at Gore had both short- and long-term equity sharing components. The company's compensation goal was to ensure internal fairness and external competitiveness. To ensure fairness, associates were asked to rank their team members each year in order of contribution to the enterprise. In addition, team members were asked to comment on their rationale behind the ranking, as well as on particular strengths or potential areas of improvement for the associates. To ensure competitiveness, each year Gore benchmarked its associates' pay against a variety of functions and roles with their peers at other companies.

Gore also used profit sharing as a form of short-term compensation. Profits remaining after business requirements were met were distributed among associates as profit sharing. Profit shares were distributed when established financial goals were reached. Every month, the business results were reviewed with associates, who knew whether they were on track to meet forecasts. The first profit sharing occurred in 1960, only two years after the founding of the company.

Beyond short-term equity sharing, Gore had an associates' stock ownership program (ASOP). Each year, Gore contributed up to 12 percent of pay to an account that purchased Gore stock for associates with more than one year of service. Associates had ownership of the account after three years of service, when they became 100 percent vested. Gore also had a 401(k) plan, which provided a contribution of up to 3 percent of pay to each associate's personal investment accounts. Associates were eligible for the 401(k) after one month of service and were 100 percent vested immediately.

A particular area where Gore's practices differed from traditional practices at other organizations was in how the majority of the sales force was compensated. Salespeople did not work on commission but were paid with a salary, with stock through the company's ASOP, and with profit sharing with all the other associates.[4] When a sales associate was asked to explain this practice, he responded as follows:

> The people who are just concerned with making their sales numbers in other companies usually struggle when they come to Gore. We encourage folks to help others. For example, when we hire new sales associates, we ask experienced sales associates to take some time to help get them acclimated to Gore and how we do things. In other companies where I've worked, that would have been seen as something that would detract from your potential to make your number, so you probably wouldn't be asked to do such a thing.

In other words, the company saw individual sales commissions as detracting from mentoring and sharing what was at the core of the Gore culture.

The entire package of compensation extended beyond direct monetary payments. As with most companies, associates received a range of benefits, such as medical and dental insurance. Another benefit extended to associates was onsite child care. In addition, in *Fortune* magazine's 2008 story that accompanied its "100 Best Companies to Work For" list, Gore's on-site fitness centers were listed as benefits. Gore did have such benefits, but they were not driven from the top down. The company supported multiple wellness programs, but there was not one enterprise-wide program. In keeping with its principles and philosophy, Gore looked for an associate or a group of associates to initiate a program. For example, in the Fabrics Division an associate who was a committed runner might champion a group at lunchtime. Gore would then support such activities with fitness centers, softball fields, volleyball courts, and running trails. Pockets of associates all over Gore pursued these and other wellness activities.

GORE RIDE ON BIKE CABLES: AN EXAMPLE OF STRATEGY, LEADERSHIP, AND HR IN ACTION

A good example of strategy, leadership, and effective talent deployment was the development of GORE RIDE ON bike cables. Initially, the cables were derailleur and brake cables for trail bikes. They were developed by some trail bike enthusiasts at Gore's Medical Product Division in Flagstaff, Arizona, in the 1990s. When the trail bike market declined, the product was withdrawn from the market. In 2006, a group of young engineers went to Jack Kramer, a technical leader at Gore, and said that they wanted to learn what it took to develop a new product by reviving the cables. His response was, "You need someone who has some experience before you go off and try to do that."

One of the young engineers approached Lois Mabon, a product specialist who had about 16 years of experience at Gore and worked in the same facility, and asked her to be the group's coach. Mabon went back to Kramer and talked to him. He was still not sold on the idea, but he allowed Mabon to find out what had happened to the bike cables and explore with the group what it would take to bring a new product to market. Within Gore, associates were encourage to set aside some "dabble time," in which they had the freedom to develop new products and evaluate their viability. After some exploration of what happened to the cables, Mabon led a group that made a presentation to Kramer and some others in the company, and even though they still were not sure, they said, "All right, keep working on it."

After about 9 or 10 months of exploring the possibility, a team of excited and passionate associates developed a set of GORE RIDE ON products. In their exploration, the team learned that the road bike market was larger than the trail bike market and that there might potentially be a product for the racing market.

The team prepared a presentation, referred to within Gore as a "real win-worth" one, for the Industrial Products Division (IPD) leadership team. "Real win-worth" was a rigorous metric that Gore used to help hone the most promising new opportunities. The three issues that had to be addressed in "real win-worth" were: (1) Is the idea real? (2) Can Gore win in the market? and (3) Is it worth pursuing? After listening to and questioning the presenters of the GORE RIDE ON idea, the IPD leadership team responded, "You know what? You do have some really good ideas. Let's do a market study on it. Let's see if the market is interested."

Some samples of the new product were made and taken to 200 top bike stores across the United States. They were handed out to the store owners, and in turn, the store owners were asked to fill out a survey. The survey focused on three questions: (1) Is this a product you would buy? (2) Is it a product you would recommend to your customers? (2) How would you compare this to the other products out in the industry?

An analysis of the surveys showed that 65 to 75 percent of all respondents would either definitely buy the product or were interested in it. Based on these results, the team concluded that people would really want to buy the product.

So with that data in hand, another presentation was made to the IPD leadership team in August 2006. The response was "Okay, go launch it." The product team had 12 months to improve the mountain bike cables, develop the new road bike cables, redesign the packaging, redesign the logo, set up production, and do everything else that was associated with a new product introduction.

Every Gore division was involved in producing the cables. The product was overseen by a team in the Industrial Products Division. The GORE BIKE WEAR products team in the Fabrics Division served as the sales team. The Medical Products Division made a component of the bike cables, and the Electronics Products Division coated the cables.

In September 2007, the product was officially launched at two bike shows. The first one was Euro-Bike on Labor Day, and the other was the Interbike show held in Las Vegas at the end of the month. The top 100 GORE BIKE WEAR product customers and shops were invited to these shows.

In fewer than three months Gore had sold approximately 8,000 pairs of cables. In addition, Gore had teamed with one of the top shifter manufacturers to co-market their products. The shift manufacturer used the Gore cables in its best-selling shifter line, introduced in November 2007.

FACING THE FUTURE TOGETHER

Associates at Gore believed that their unique organizational culture would allow the company to continue maximizing individual potential while cultivating an environment where creativity could flourish. The unique culture resulted from an unwavering commitment to the use of cutting-edge technology for developing high-quality products. This strategy was carried out through a unique approach to leadership and human resource management. The record of success was demonstrated not only by high financial profitability but also by the creation of a highly desirable workplace. Nevertheless, past success did not ensure future success. Brad Jones of Gore's Enterprise Leadership Team said:

> Twenty or thirty years ago, markets in different parts of the world were still somewhat distinct and isolated from one another. At that time, we could have pretty much the entire global business team for a particular market niche located in a building. Today, as our markets become more global in nature, we are increasingly seeing the need to support our customers with global virtual teams. How do our paradigms and practices have to change to accommodate those changing realities? Those are active discussions that apply across these many different businesses.

The answer to how Gore would evolve to meet these challenges was not something that would be decided by an isolated CEO or an elite group of executives. Critical decisions, those below the waterline, had never been made that way at Gore, and there was no expectation that this would change.

ENDNOTES

[1] Many sources were helpful in providing material for this case, most particularly associates at Gore who generously shared their time and viewpoints about the company to help ensure that the case accurately reflected the company's practices and culture. They provided many resources, including internal documents and stories of their personal experiences.

[2] Throughout this case the word *associate* is used because Gore always uses the word *associate* instead of *employee.* In fact, the casewriters were told that the term *associates* evolved early in the company's history because it expressed the belief that everyone had a stake in the success of the enterprise.

[3] Information posted at www.gore.com, accessed November 1, 2010.

[4] Gore's ASOP was similar legally to an employee stock ownership plan (ESOP). Again, Gore simply had never allowed the word *employee* in any of its documentation.